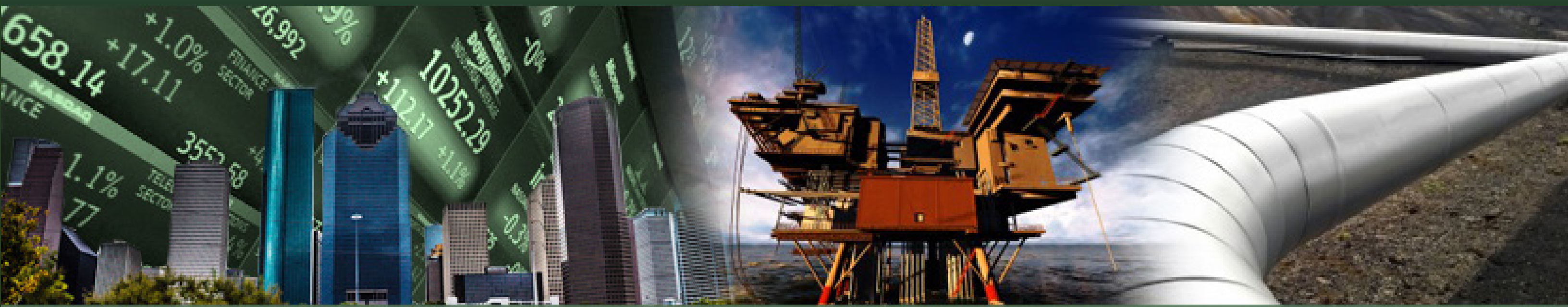
The View from HOUSTON



Energy Prospectus Newsletter: "The View from Houston" May 1, 2023 **Issue: 204**

By: Dan Steffens, President

Dan Steffens is the President of Energy Prospectus Group (EPG), a networking organization based in Houston, Texas. He is a 1976 graduate of Tulsa University with an undergraduate degree in Accounting and a Masters in Taxation.

Mr. Steffens began his career in public accounting, becoming licensed as a CPA in 1978. After four years in public accounting, he transitioned to the oil & gas industry with the bulk of his time (18 years) spent with Amerada Hess Corporation (HES). He served as the Hess United States E&P Division Controller from 1994 to 2001.

INSIDE THIS ISSUE

"Seek and ye shall find."

At EPG we are seeking out the best energy stocks and we bring those companies to the attention of our members.

We are not even close to "Peak Demand" for oil-based product.

More People = More Demand for Energy

Over 80% of the World's Energy will come from Fossil Fuels thru at least 2030 and at least 70% in 2050

During my life Earth's population has tripled

Current World Population

As of April 22, 2023

8,029,039,368

2023 rate of increase = 184,000 per day

A few years ago, there was a false paradigm being spread that demand for oil would soon peak. It was based more on the hopes of the Climate Change Wackos that wind & solar would soon be able to provide the energy needed in a modern world. Well, after spending over $1 Trillion on wind & solar projects to increase their share of total primary energy from 3% to 4% it is becoming clear that (a) the OECD countries cannot afford this form of energy transition and (b) there aren't enough metals and other materials to complete the task on this planet.

We are going to be stuck with fossil fuels being at least 80% of primary energy though 2030 and still at least 70% through 2050 unless some miraculous new energy source is discovered. The only scalable energy source that comes even close to generating enough electricity to replace just our coal fired power plants is nuclear, but no one wants a nuke in their backyard. I don't even want a bunch of windmills anywhere close to my home.

The good news is that there really is no Climate Crisis. The hysteria about Global Warming is just a FEAR campaign being used to control us and justify higher taxes. It should be great news that the polar bear population is still growing, that it still snows during the winter in Great Britain, the glaciers aren't disappearing and there has been no measurable increase in sea level or hurricane frequency. I'm glad the Obama's big home in Martha's Vineyard is safe.

Three billion of the eight billion humans on planet Earth live in China and India. Leaders of those two nations and many others are not going to support the Paris Climate Accord. It is just too expensive and unlikely to have any impact on the Earth's weather system. China and India are focused on providing reliable & affordable energy for their people that strive for a higher standard of living.

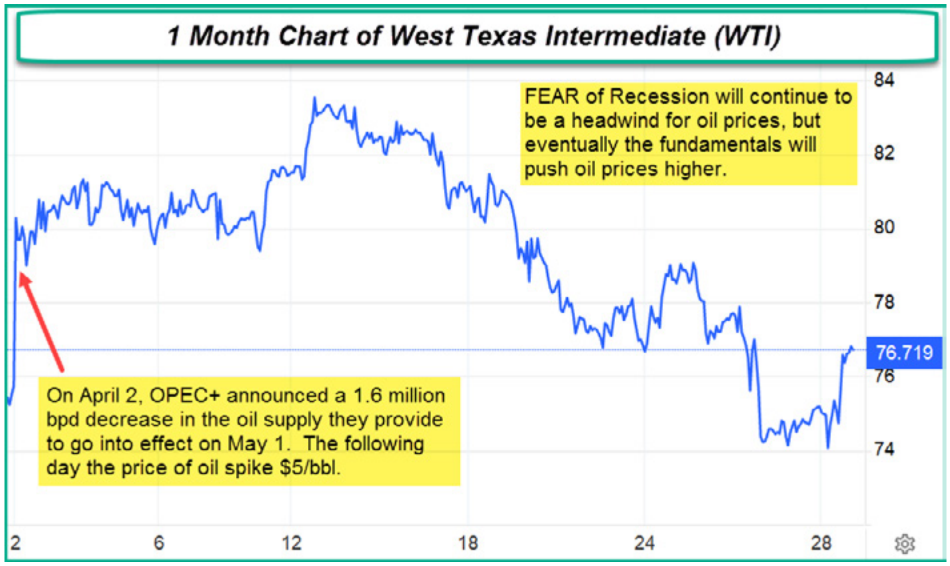
The U.S. and the other countries in the **Organisation for Economic Cooperation & Development (OECD)** need to come up with a common-sense energy plan. I realize this is wishful thinking, but our high standard of living depends on energy that is available 24/7. Any talk of "Net Zero" is nonsense. It will triple the national debt, significantly increase electricity costs and push millions of families into poverty. Our economy MUST HAVE RELIABLE AND AFFORDABLE ENERGY TO GROW.

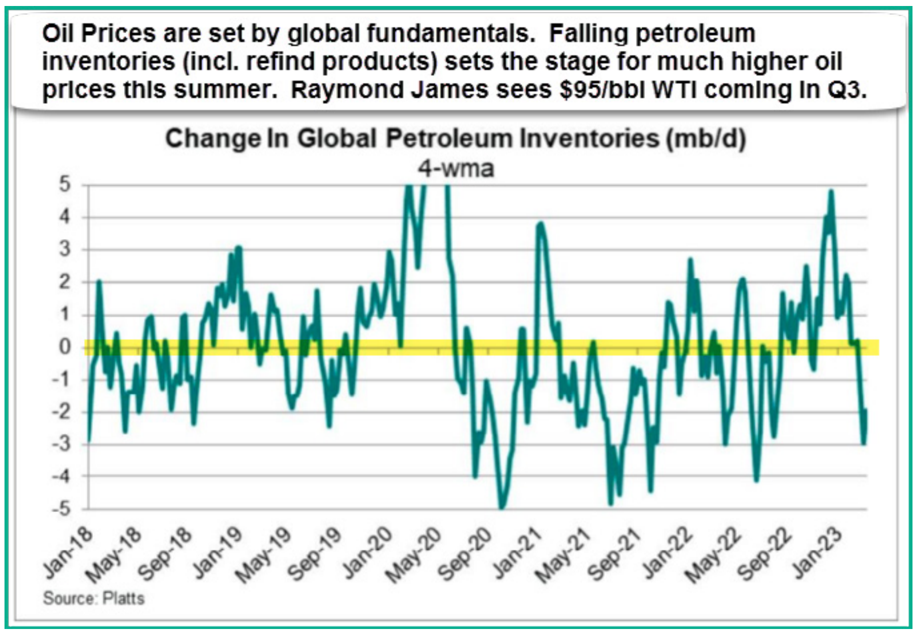
Here is my idea: We are blessed to have massive known reserves of clean burning natural gas in North America. If we focus on building out a compressed natural gas (CNG) delivery network and converting a high percentage of our large trucks to run on CNG, we could become truly energy independent.

Oil Price

On Sunday, April 2 OPEC+ announced that they would be reducing the crude oil which they supply to the world by another 1.6 million barrels per day beginning May 1. When the markets opened the next day, oil prices spiked by more than $5/bbl within minutes and West Texas Intermediate (WTI) climbed to $83.40/bbl on April 12th.

In my opinion, Saudi Arabia brokered this supply reduction because they want to remind the world that OPEC is now in control of oil prices. They





Raymond James' Oil Price Forecast

2022	Q1 22A	Q2 22A	Q3 22A	Q4 22A	2022A
RJ WTI	$94.85	$108.20	$91.32	$82.55	$94.23
RJ Brent	$97.33	$110.96	$96.98	$88.46	$98.43

2023	Q1 23A	Q2 23E	Q3 23E	Q4 23E	2023E
RJ WTI	$76.00	$80.00	$95.00	$105.00	$90.00
RJ Brent	$82.00	$85.00	$100.00	$110.00	$95.00

Source: Bloomberg, FactSet, Raymond James Research April 3, 2023 also need Brent over $80/bbl to balance their budget. The Saudis were clearly not pleased that Team Biden drained the U.S. Strategic Petroleum Reserve (reducing Saudi Arabia's revenues) and Biden did not start refilling the SPR when the oil price dipped below $70/bbl as he told them he would do.

The global oil market is tight and everything points to a shortage of transportation fuels this summer, but Fear of Recession continues to keep the NYMEX strip in backwardation (out months priced below the front month). Fear is a powerful emotion and our media seems to be experts in spreading fear just to improve ratings. Oil & gas price volatility is also keeping a lot of investors out of the energy stocks this year.

On April 3rd (the day after the OPEC+ announced supply cut) Raymond James published an updated oil price forecast. They are now expecting WTI to average $95/bbl in Q3 and $105/bbl in Q4 2023. Goldman Sachs, Morgan Stanley and JP Morgan are also forecasting that oil prices could be back to triple digits within six months.

EIA's Petroleum Report for the week ending April 21, 2023, shows that U.S. inventories of gasoline are 7% below the 5-year average for this time of year and distillate inventories (diesel, heating oil & jet fuel) are 12% below the 5-year average. Keep in mind that U.S. demand for these important transportation fuels is higher than it was five years ago. Our economy runs on diesel and nothing is going to change that fact anytime soon.

Conclusion: If China's demand for oil keeps increasing and Russian oil supplies decline, I think the price of oil will be much higher by the end of this summer and I don't think it will stop at $100/bbl. Even our own EIA's recent Short Term Energy Outlook ("STEO") shows a chance of WTI rising to $140/bbl by the end of this year. That would not be good because inflation would skyrocket.

EPG Coming Events

Our live webinars and luncheons in Houston give EPG members and their guests an opportunity to meet the top management of some of the most promising small and mid-cap energy companies that we track.

May 9: Nouveau Monde Graphite Inc. (NYDE: NMG) will be hosting a luncheon for EPG members and their invited guests in Houston at The Ballroom at Tanglewood, 5430 Westheimer Road just west of the Galleria.

May 11: Surge Energy Inc. (ZPTAF) will be hosting a webinar for EPG members at 12 noon CT.

May 16: Kolibri Global Energy (KGEIF) will be hosting a luncheon for EPG members and their invited guests in Houston at The Ballroom at Tanglewood, 5430 Westheimer Road just west of the Galleria.

May 24: Volt Lithium Corp. (VLTLF) will be hosting a webinar for EPG members at 10AM CT.

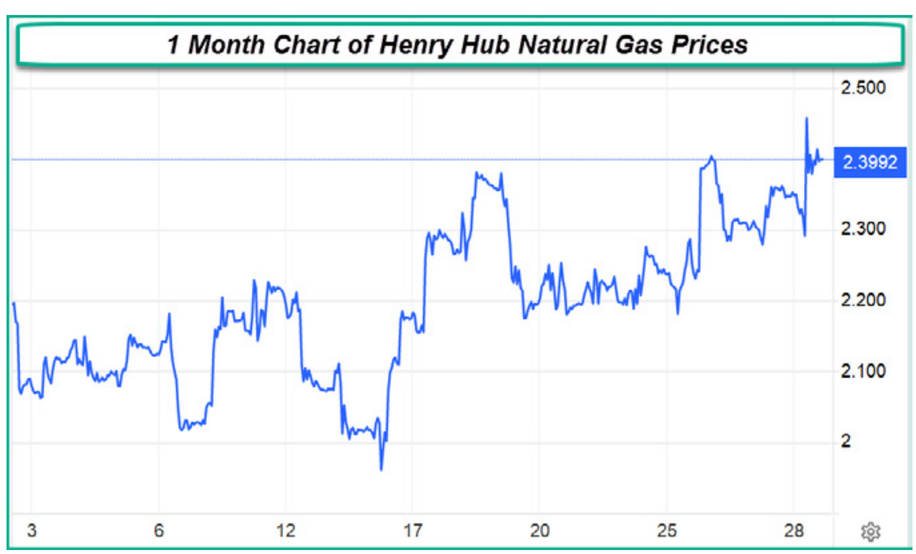
We urge you to register and participate in our luncheon and webinar series. The higher the participation rate, the easier it will be for us to sell the concept to other public companies. During each event you will be able to ask questions directly to the CEO of each company.

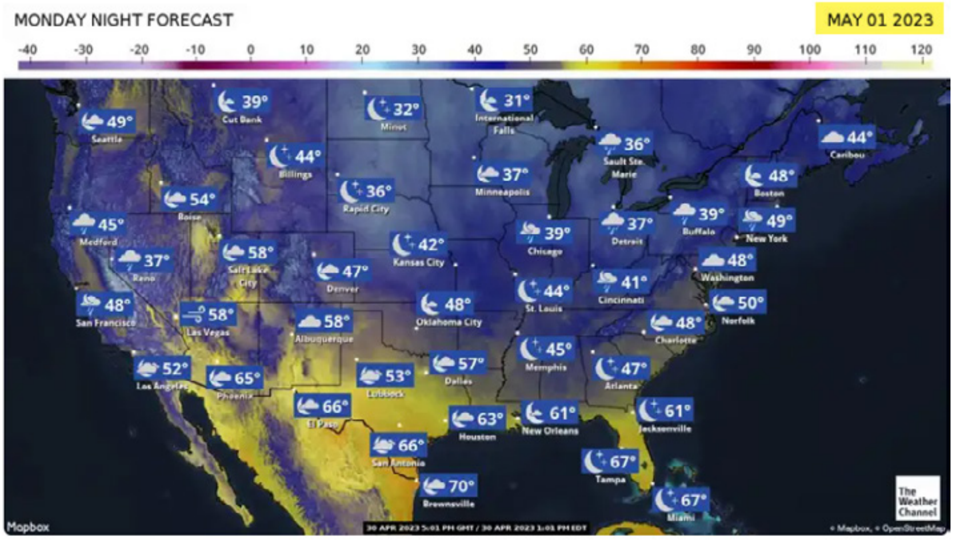
Natural Gas Price

It is beginning to look like the natural gas prices I'm using in my forecasts models may be too low. Homes and businesses in the Great Lakes Region are still burning natural gas for space heating during the first week of May. The Climate Change Wackos should be happy.

Upstream companies are delaying gas well completions until they can get better prices for their production, LNG exports remain at maximum capacity and we are just a few weeks away from summer heat that will increase demand for power generation.

The U.S. leads the world in natural gas demand (over 37,000 Bcf per





My Forecasts are based on ngas prices below the Strip

Updated	Oil & Gas Prices used in Forecast Models					
3/30/2023	2023					2024
	Q1	Q2	Q3	Q4	YEAR	YEAR
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
WTI Oil	$ 75.00	$ 75.00	$ 80.00	$ 90.00	$ 80.00	$ 90.00
HH Gas	$ 2.50	$ 2.25	$ 2.50	$ 2.75	$ 2.50	$ 3.50

year) when LNG export demand is included. I believe that market forces are going to push Henry Hub gas prices back over $3.00 this summer. The DEC23 NYMEX futures contract closed at $3.64 on Friday, April 28.

Three of the four large-cap gassers in our Sweet 16 (AR, EQT and RRC) reported much higher realized natural gas prices for Q1 than I used in my forecasts, but I'm going to wait a few more weeks to adjust my oil & gas price deck.

Sweet 16 Growth Portfolio

The Sweet 16 is our "Flagship Portfolio". It is made up of upstream companies that have strong production and proven reserve growth locked in for many years and the financial strength to fund their business plans. They all have strong balance sheets, generate lots of operating cash flow and hold plenty of low-risk drilling inventory ("running room"). Eleven of them pay dividends and/or have stock buybacks underway.

Five of the Sweet 16 have announced first quarter financial results, so I will focus on them in this newsletter. The other eleven will be announcing Q1 results this week and next week. I will be updating the forecast valuation models for each company as soon as I can and we will be publishing updated profiles on each company in the portfolio this month.

Keep in mind that all of the companies in our three model portfolios are in MUCH BETTER FINANCIAL SHAPE than they were a year ago.

Range Resources (RRC) announced Q1 results on April 24 that beat my forecast by a wide margin, primarily because their realized natural gas and NGL prices (net of cash settlements on their hedges) were much higher than I expected. Range has very good marketing people.

The Company's drilling program for 2023 is front-loaded with the majority of this year's well completions coming in Q3 and Q4. Therefore, I am expecting production to peak in Q4 at the same time natural gas prices should be ramping up.

Range's production will be down in Q2 by approximately 100,000 Mcfepd (~4.6%) due to some midstream maintenance projects. It is a wise business decision to complete these projects when natural gas prices are at the low point of the year.

My current valuation of RRC increases by $2 to $31 per share. Looking past the recent dip in natural gas prices, if natural gas prices do continue to rebound and move back to $5.00/MMBtu in 2025 (Raymond James' new forecast), RRC should be a $50 stock.

Raymond James' Henry Hub Natural Gas Price Forecast *4-24-2023*

2022	Q1 22A	Q2 22A	Q3 22A	Q4 22A	2022A
RJ Gas *	$4.48	$7.17	$7.96	$6.22	$6.46

2023	Q1 23A	Q2 23E	Q3 23E	Q4 23E	2023E
NYMEX Futures	$2.72	$2.27	$2.64	$3.19	$2.70
Old RJ Gas	$2.65	$2.50	$2.75	$3.30	$2.80
RJ Gas *	$2.72	$2.30	$2.85	$3.30	$2.80

2024	Q1 24E	Q2 24E	Q3 24E	Q4 24E	2024E
NYMEX Futures	$3.70	$3.20	$3.46	$3.96	$3.58
Old RJ Gas	$3.00	$2.75	$3.25	$4.00	$3.25
RJ Gas *	$3.50	$3.00	$3.15	$3.35	$3.25

2025+	Long-Term Forecast	L-T
Old RJ Gas		$5.00
RJ Gas *		$5.00

EQT Corp. (EQT) also announced Q1 results that beat my forecast and I have increased my valuation by $2.50 to $47.50 per share. Since the Company announced Q1 financial results on April 26th, two highly respected energy sector analysts have increased their price targets to $38 and $53. The wide gap is just because of the variance in forward natural gas prices being used by their firms.

EQT is the largest natural gas producer in the U.S. with Q1 production of 5.1 Bcfepd with a mix of 94.5% dry gas, 5.1% NGLs and just 0.4% crude oil. The Tug Hill & XcL Acquisitions that were announced on September 6, 2022 are now expected to close in June, pushing EQT's production over 6.1 Bcfepd in Q3. Regardless of when the acquisitions close, EQT will get the increased production and cash flow from the Effective Date through the Closing Date as a purchase price adjustment.

Antero Resources (AR) Q1 production was in line with my forecast, but operating cash flow was below my forecast, due in large part to a $202.3 million cash payment to monetize their 2024 hedges. They did it because they now expect next year's natural gas prices to be much higher.

Antero produces a lot of NGLs; 177,760 barrels per day in Q1. If NGL prices hold up, the Company should generate enough operating cash flow to cover this year's drilling program. If natural gas prices rebound to $3.50/MMBtu in 2024 (my forecast), Antero should be able to generate over $2 billion of operating cash flow (over $7.00 per share) next year and a lot of free cash flow. The long-term outlook for AR is very strong.

Comstock Resources (CRK) is the fourth large-cap gasser in the Sweet 16. They will be announcing Q1 financial results on May 2 and I now expect them to also report much higher realized natural gas prices. All four of our gassers have very good marketing teams that can move their produced gas and NGLs to higher priced markets.

Sweet 16 Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			4/28/23		
ANTERO RESOURCES	GAS	AR	$22.99	$35.00	52.24%
CALLON PETROLEUM	OIL	CPE	$33.14	$80.00	141.40%
COMSTOCK RESOURCES	GAS	CRK	$11.50	$22.00	91.30%
CRESCENT POINT ENERGY	OIL	CPG	$7.40	$12.75	72.30%
EARTHSTONE ENERGY	OIL	ESTE	$13.56	$32.00	135.99%
EOG RESOURCES	OIL	EOG	$119.47	$155.00	29.74%
EQT CORP	GAS	EQT	$34.84	$47.50	36.34%
VITAL ENERGY (was Laredo Petroleum)	OIL	VTLE	$46.53	$108.00	132.11%
MAGNOLIA OIL & GAS	OIL	MGY	$21.12	$28.50	34.94%
MATADOR RESOURCES	OIL	MTDR	$49.03	$82.00	67.24%
NORTHERN OIL & GAS	OIL	NOG	$33.17	$52.50	58.28%
OVINTIV INC (was ENCANA)	OIL	OVV	$36.08	$63.00	74.61%
PERMIAN RESOURCES	OIL	PR	$10.45	$15.50	48.33%
RANGE RESOURCES	GAS	RRC	$26.45	$31.00	17.20%
SILVERBOW RESOURCES	GAS	SBOW	$23.85	$78.00	227.04%
SM ENERGY	OIL	SM	$28.08	$52.00	85.19%

Matador Resources (MTDR) reported strong Q1 results that beat my forecast, causing me to increase by current valuation by $5 to $87 per share.

As I have mentioned many times in previous newsletters, Matador is an "Aggressive Growth" company. Since I started following the company, they have been increasing production by 15% to 25% each year; with just a slight slowdown during the pandemic years of 2020 and 2021. Most of the Company's production growth has been the result of their drilling programs.

On April 13, 2023 Matador announced the closing of the Advanced Energy Acquisition that added ~25,000 Boepd of production (~74% oil) and a lot of valuable development drilling locations ("running room"). If you believe this world will continue to run on oil-based products for many more years (like I do), this is a stock you want to own. Based on my forecast, Matador's operating cash flow will be $1.8 billion this year and increase to over $2.6 billion (~$22.00 per share) in 2024.

Matador has added an eighth operated drilling rig and I expect them to ramp up well completions in 2H 2023, which is likely to push production to a 2023 exit rate near 150,000 Boepd. This compares to actual Q1 2023 production of 106,654 Boepd.

"We have increased our estimates after the 1Q23 release as the recent operational update combined with our forecasts suggest ***production could be higher than our prior estimates and company guidance.*** *Our buildout suggests Matador's 2023 D&C costs at $1,125/ft are competitive with its peers with the potential for further incremental efficiencies continuing. We continue to believe the company receives insufficient credit for its midstream operations that strategically expanded with the Advance deal, given the material scale of operations and the extremely limited downtime unlike other nearby midstream operators."* – Neal Dingmann is a highly respected energy sector analyst at Truist Financial that rates MTDR a BUY with a price target of $72/share.

SM Energy (SM) was the 5th Sweet 16 company to announce strong Q1 financial results last week. The Company's production for the quarter was more than 4,000 Boepd above my forecast and their realized prices were higher than what I was expecting.

SM's production guidance looks very conservative to me, but I am still using it in my valuation model. Even at the low end of their guidance, this stock continues trade at less than 3X operating cash flow per share. That is way too low for a company that continues to add production and proved reserves year-after-year and that has lots of running room in the Permian Basin and the South Texas Eagle Ford play. I have increased my current valuation by $3 to $52 per share, which is just 3.75 X annualized operating cash flow per share.

New information is now pouring in from all of our model portfolio companies, so check the EPG Forum daily for my comments. Our Forum is the best place to ask me questions.

Small-Cap Portfolio

Small-Caps have more risk than the larger companies in our Elite Eight, but they also have more potential. I am very bullish on this group because they all reported solid result for 2022 and they are well-positioned to thrive in 2023 and 2024.

None of them have released first quarter financial results, so my comments in this newsletter will focus on the three Canadian Juniors that hosted luncheons for us in Houston during April.

InPlay Oil (IPOOF) hosted a luncheon for us on April 19. After increasing production by 44.6% in 2021 and another 58.0% in 2022 they plan to slow down the pace of growth a bit. Drillbit growth will slow to ~10% production growth in 2023, but armed with a strong balance sheet, I expect that Doug Bartole's team is going to announce another accretive acquisition this summer.

InPlay has a lot of "running room" with over 300 low-risk / high-return horizontal drilling locations that pay out in approximately 6 months after being completed. During the luncheon Doug told us that this year's drilling program is focused on locations within their two core areas that should increase oil production. If so, that will increase my valuation since my only concern is that InPlay is too "gassy".

InPlay pays monthly dividends that deliver ~6.6% annualized yield at the current share price and I believe the share price should double within a year. I also believe that InPlay will increase their dividends.

Surge Energy (ZPTAF) hosted a luncheon for us on April 12. It was the first time that I met Paul Colborne, the CEO and Jared Ducs, the CFO. They gave an impressive presentation and they confirmed my forecast model assumptions. The Company is going to report more than a 15% increase in production from Q4 2022 to Q1 2023 thanks to the Enerplus Acquisition that they closed on December 19, 2022. When they report production over 25,000 Boepd in Q1, I expect the Company to draw more analysts' coverage.

Surge generates a lot of free cash flow and I expect them to significantly increase their monthly dividends

New Profiles

The following reports were posted to the website since our last newsletter:

- Updated Net Income and Cash Flow Forecasts for several of the Sweet 16 companies and those in our other model portfolios
- A table of our Fair Value estimates for each Sweet 16 company compared to First Call's 12-month price targets

Company Profiles:
- Diamondback Energy (FANG and VNOM)
- InPlay Oil (IPOOF)
- Kimbell Royalty Partners (KRP)
- Kolibri Global Energy (KGEIF)
- Range Resources (RRC)
- ROK Resources (PTRDF)
- Solaris Oilfield Infrastructure (SOI)
- Surge Energy (ZPTAF)
- Talos Energy (TALO)

later this year. Surge is going to host a webinar for us on May 11 that will help spread the word on this very profitable company to our global membership.

ROK Resources (PTRDF) is a new company and a recent addition to our Small-Cap Growth Portfolio. This Company's team has an impressive track record. They have done a great job of closing two very accretive acquisitions and then selling several non-core assets that has them set up for an outstanding second half of this year. The most impressive part of their presentation at our Houston luncheon on April 18 was that the Company will be virtually debt free by the end of June.

I believe ROK Resources has the potential to generate a strong run for us like what we've enjoyed over the last two years from **Hemisphere Energy (HMENF) and InPlay Oil (IPOOF)**. We published a profile on ROK on April 24 and I urge all of you to read it carefully.

Hemisphere announced Q4 2022 financial results on April 20. Since they pre-announced Q4 production (2,907 Boepd) and lots of operational information, actual results were very close to my forecast. The Company is going to report strong production growth for Q1 (~3,175 Boepd), flat production from Q1 to Q2 (due to weather related restrictions) and then strong production growth in Q3 and Q4. This year's exit rate should be ~3,500 Boepd. More than 99% of Hemisphere's revenues are generated by oil sales. I will be publishing an updated profile on Hemisphere by mid-May.

Kolibri Global Energy (KGEIF) is hosting a Houston luncheon for us on May 16. I urge all of you in the Houston area to come and meet this Company's CEO, Wolf Regener. His team has done an incredible job and this Company is positioned to deliver some big capital gains for us. Kolibri now has over 3,000 Boepd of production in Central Oklahoma's SCOOP play (~73% oil), 40+ low-risk proved development drilling locations and another 140+ P2 drilling locations. It is rare for me to find a small-cap with this much high-quality running room and all of their leasehold in Oklahoma is held-by-production. **Read the profile on Kolibri that we published on April 6.**

Small-Cap Growth Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	EPG Fair Value Estimate	Percent Undervalued
			4/28/23		
HEMISPHERE ENERGY	OIL	HMENF	$0.95	$3.00	215.79%
INPLAY OIL	OIL	IPOOF	$2.03	$5.75	183.25%
KOLIBRI GLOBAL ENERGY	OIL	KGEIF	$3.60	$8.25	129.17%
PHX MINERALS	OIL	PHX	$2.71	$4.75	75.28%
RILEY EXPLORATION PERMIAN	OIL	REPX	$42.01	$54.00	28.54%
RING ENERGY	OIL	REI	$1.81	$4.90	170.72%
ROK RESOURCES	OIL	PTRDF	$0.31	$0.75	141.94%
SOLARIS OILFIELD INFRASTRUCTURE	SERVICES	SOI	$7.68	$15.50	101.82%
SURGE ENERGY	OIL	ZPTAF	$6.49	$12.50	92.60%
TALOS ENERGY	OIL	TALO	$13.63	$29.00	112.77%

I did take a hard look at **Solaris Oilfield Infrastructure (SOI)** and I personally updated the profile on the Company that we published on April 21. Solaris is a small oilfield services company that survived the pandemic and gained market share.

I love stories like this. Solaris is highly respected, used by many of our Sweet 16 companies to help them complete wells and it is extremely profitable. It is now debt free and pays a nice quarterly dividend, which I expect them to increase this year. They generate a lot of free cash flow because their maintenance capital expenditures are very low.

You may have noticed that **Riley Exploration Permian (REPX)** has made a nice run for us. The share price is up over 40% YTD. The Company closed the Pecos Acquisition on April 4 that added ~7,200 Boepd (~58% oil and ~23% high value NGLs). Riley is now on a clear path to a 2023 exit rate of more than 25,000 Boepd, which compares to their total 2022 production of 11,496 Boepd.

On April 11, Neal Dingmann at Truist Financial raised his price target on REPX from $43 to $60 and he maintains a BUY rating on the stock. It is rare to see Neal increase a price target on a small-cap by this much. I'm sure it caused many of the Wall Street Gang to put REPX on their radar screens.

Ring Energy (REI) sold off after they announced that the holders of 14.5 million warrants exercised them on April 12 at a reduced price of $0.62 per share. Yes, the additional shares did dilute existing shareholders a bit, but these warrants were already counted in the fully diluted share count. Plus, Ring deposited close to $9 million of cash when the transaction closed, which the Company used to pay off debt, reducing future interest expense. "Fear-based" and in this case "Ignorance-based" selloffs like this are what I call "Buying Opportunities" for those of you that have access to our accurate forecast/valuation models. Ring is going to be fine unless their production does not come close to their guidance for 2023. Keep in mind that Ring closed a very accretive acquisition on August 31, 2022, that gives the Company a lot of running room.

Talos Energy (TALO) is going to report significant production increases in Q1 and Q2 2023.

PHX Minerals (PHX) will survive a few quarters of low natural gas prices and it should rebound in 2H 2023.

High Yield Income Portfolio

My primary goal for this portfolio is to find companies that have strong balance sheets and sustainable dividends. In addition to attractive yields, these are "Growth Companies" that have share price upside potential for us. Since my last newsletter, this model portfolio has outperformed the Sweet 16 and the Small-Cap Growth Portfolio because it offers investors safety during a period of uncertainty. A group of stocks that pay high dividends is a nice place to park your money when commodity prices seem to lack direction. The Small-Caps have the most upside when oil & gas prices firm up because they are currently trading at very low multiples of operating cash flow.

This portfolio is divided in to three groups.

Minerals Companies (often referred to as Royalties Companies) are safe bets because they own mineral interests that do not expire. Their revenues are primarily from the royalties and over-riding royalties that they get paid to them by the upstream companies that are completing wells on acreage where they hold the minerals. These companies have very low cash expenses and they pay out a high percentage of their operating cash flow in the form of quarterly dividends.

Sitio Royalties Corp. (STR) gained 15.9% during April, more than doubling the gains of the other three minerals companies (KRP up 7.5%, BSM up 5.1% and VNOM up 4.5%) . Sitio closed the merger with Brigham Minerals late in December, so Q1 will be the first full quarter of combined results. I am expecting them to report more than an 80% increase in production quarter-over-quarter and operating cash flow over $100 million for the first time in the Company's history. Based on my forecast, STR should beat the current First Call EPS forecast of $0.22 EPS for Q1.

Black Stone Minerals LP (BSM) is the only Master Limited Partnership (MLP) in the portfolio. It is the most heavily weighted to natural gas, but they do hedge a high percentage of their production each year. I do expect them to hold their quarterly cash distributions at $0.475/unit for annualized yield of 11.5% based on the unit price as of the date of this newsletter. This is a very conservative management team. The Company has a Super Strong balance sheet. It is a safe bet for any of you that believe natural gas prices will rebound later this year. Plus, you get paid some very nice dividends while you wait.

On April 12th **Kimbell Royalty Partners (KRP)** announced that they have agreed to acquire mineral and royalty interests in the **Permian Basin** from MB Minerals, L.P. in a cash and unit transaction valued at approximately $143.1 million. The purchase price for the Acquisition is comprised of $48.8 million in cash (approximately 34% of the total consideration), approximately 5.4 million newly issued common units of Kimbell Royalty Operating, LLC valued at $85.4 million, and approximately 0.6 million newly issued common units of Kimbell Royalty Partners, LP valued at $8.9 million.

For the next twelve months, Kimbell estimates that starting April 1, 2023, the acquired assets will produce approximately 1,901 Boe/d (1,459 Bbl/d of oil, 219 Bbl/d of NGLs, and 1,338 Mcf/d of natural gas). The acquired assets are concentrated in northern Howard County and southern Borden County. The Acquisition is expected to close in the second quarter of 2023, subject to customary closing conditions, and the Effective Date is expected to be April 1, 2023.

Assuming the Acquisition is consummated, Kimbell is expected to have over 16 million gross acres, over 125,000 gross wells and a total of 97 active rigs on its properties, which represents approximately 13% of the total active land rigs drilling in the continental United States. In addition, over 97% of all rigs in the continental United States are located in counties where Kimbell is expected to hold mineral interest positions following the consummation of the Acquisition.

On April 25th RBC Capital analyst T J Schultz (rated 5-Star by TipRanks) released a research report on KRP with a BUY rating in which he set a price target of $24.00.

Viper Energy Partners LP (VNOM) has elected to be taxed as a C-Corp. I consider it the "Safe Bet" for investors wanting exposure to oil prices because it has steady production growth locked in by the relationship it has with **Diamondback Energy (FANG)**. Diamondback has one of the most aggressive drilling programs in the Permian Basin and lots of their leasehold is "Tier One" where Viper holds the minerals. Viper is virtually unhedged, so I view their commodity price risk to be to the upside. **We recently published a profile on Diamondback that covers Viper.**

The five **Upstream Oil & Gas Companies** in the portfolio are all mature large-caps that "graduated" from our Sweet 16 Growth Portfolio. They hold large blocks of valuable leasehold in America's most productive oil & gas basins, much of

High Yield Income Portfolio

Company Name	Primary Product	Stock Symbol	Share Price	Estimated Annual Yield	Annual Dividend	Paid	EPG Valuation
			4/28/23				
Minerals Companies							
BLACK STONE MINERALS LP	GAS	BSM	$16.54	11.5%	$1.90	Qtr	$19.50
KIMBELL ROYALTY PARTNERS	GAS	KRP	$16.04	9.2%	$1.48	Qtr	$22.00
SITIO ROYALTIES CORP	OIL	STR	$25.39	7.9%	$2.00	Qtr	$32.00
VIPER ENERGY PARTNERS LP	OIL	VNOM	$29.44	6.9%	$2.02	Qtr	$34.00
Upstream Companies							
COTERRA ENERGY	GAS	CTRA	$25.60	5.3%	$1.36	Qtr	$27.50
DEVON ENERGY	OIL	DVN	$53.43	7.9%	$4.24	Qtr	$68.00
DIAMONDBACK ENERGY	OIL	FANG	$142.20	6.8%	$9.69	Qtr	$178.00
PDC ENERGY	OIL	PDCE	$65.05	6.6%	$4.30	Qtr	$102.00
PIONEER NATURAL RESOURCES	OIL	PXD	$217.55	8.7%	$18.83	Qtr	$260.00
Midstream Companies							
ANTERO MIDSTREAM CORP	Midstream	AM	$10.76	8.4%	$0.90	Qtr	$13.00
ONEOK, INC.	Midstream	OKE	$65.41	6.1%	$4.00	Qtr	$75.00
PLAINS ALL AMERICAN PIPELINE - GP	Midstream	PAGP	$13.40	8.0%	$1.07	Qtr	$18.00

which is now held by production (HBP). They all have super strong balance sheets and they are committed to generate a lot of free cash flow that is being paid out to shareholders as “Fixed + Variable” quarterly dividends and used to fund aggressive stock buybacks.

Pioneer Natural Resources (PXD) announced Q1 results that beat my forecast. Most impressive was a 19,000 Boepd increase in production from Q4 2022. They also announced a 14% increase in their base dividend, but their “Base + Variable” dividend payable in June will be $3.34, which compares to the March dividend of $5.58. I was previously modeling just a slight increase in production this year, but now the Company is heading to year-over-year production growth of 6% to 7%.

Pioneer also announced the retirement of Scott Sheffield, CEO. In my opinion, this makes the rumored sale of PXD to Exxon or any other major less likely.

Coterra Energy (CTRA) is the only "gasser" in this group. Based on the realized natural gas and NGL prices in Appalachia that AR, EQT and RRC reported, I now expect Coterra’s Q1 results to beat my forecast.

The Midstream Companies have the least exposure to oil & gas price changes. They should all do quite well as long as the U.S. economy is growing since they gather, process and distribute the fossil fuels that this country runs on. They are “price makers” because the upstream companies in their core areas cannot get their production to market without the midstream infrastructure.

Antero Midstream (AM) is controlled by **Antero Resources (AR)**, one of the “Elite Eight” in our Sweet 16 Growth Portfolio. It is much smaller than the other two, but the relationship with AR significantly reduces AM’s risk.

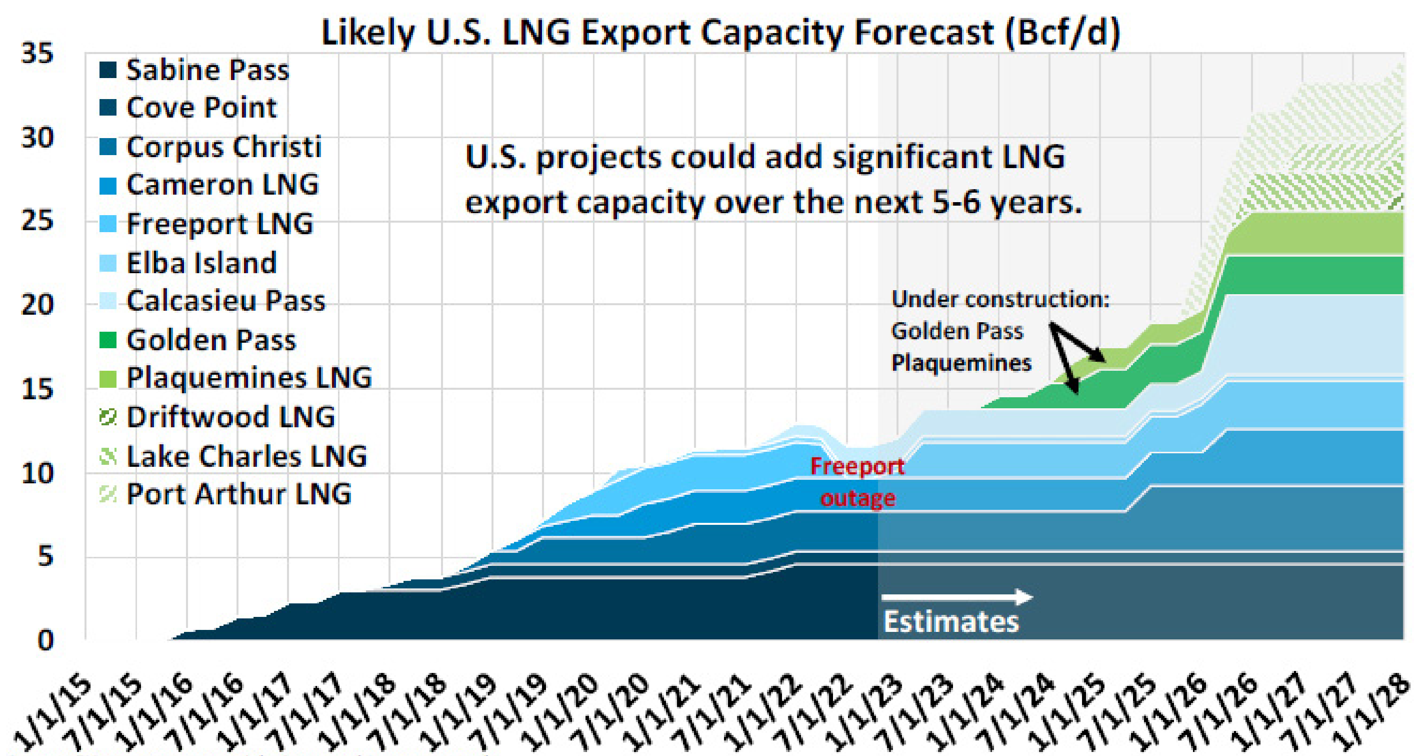
ONEOK, Inc. (OKE) and Plains All American Pipeline (PAA and PAGP) have very large footprints in North America. They both generate a lot of free cash flow and they have both committed to increasing their quarterly dividends after 2023. You can find more details about these two on the updated profiles we published mid-March. PAA and PAGP pay identical quarterly dividends.

Final Thoughts

It has been a rough start to this year for upstream companies with a lot of unhedged natural gas production, but there is a very bright light at the end of the tunnel. In 18 months, the U.S. will begin to ramp up exports of liquified natural gas (LNG) that should be a "Game Changer" for all of our gassers. Today our LNG export capacity is ~14 Bcf per day. The new LNG export facilities being built will more than double our export capacity before 2027.

"There has been no real change in our view on our structurally bullish stance on the theme of global LNG demand and the opportunity set for U.S. LNG developers in 2025+. As shown in the image below, the capacity additions through the end of the decade remain quite meaningful. Most prognosticators, including ourselves, have actually moved some projects forward slightly. With international prices still elevated compared to historical norms ($12.69/MMBtu as of the date of this newsletter) and Chinese and other countries' demand likely to build throughout the year, we believe strong LNG export numbers will prove accurate over time." – Raymond James Energy Research Brief 4-24-2023

By now everyone with an IQ over 80 should know that the energy transition to renewables (wind and



Source: EIA, company materials, Raymond James research.

solar) is going to be impossible. We don't have the materials (many of which come from China) to build massive wind and solar farms. It will be extremely expensive and will likely force many families into "Energy Poverty". To get an idea of what Energy Poverty is like, turn off your electricity for a few days.

It is time for an adult energy plan. The only primary energy source that is abundant, clean and affordable is natural gas. Nuclear power should also be part of the plan, put it takes too long to build nuclear power plants.

LNG exports to Europe are vital to the survival of the continent and Asia is also going to be in a continual bidding war for natural gas supplies. Our government needs to end the war of fossil fuels.

Six of our model portfolio companies have announced Q1 results and all of them beat my forecasts. Lots of energy sector investors harvested gains late in 2022 and in January 2023. Lots of cash is sitting on the sidelines waiting for oil prices to stabilize. This reminds me of 2010. That year our Sweet 16 started off slow and then gained 54% in 2H 2010. All it's going to take this year is less Fear of the Fed. I have no idea what the Fed will do next, but eventually they have to at least stop raising interest rates because the U.S. Treasury can't afford the interest expense.

Our goal is not to tell you what to invest in, but to give you a lot of good choices. Not all of the stocks we discuss in this newsletter or on the website are going to go up, but the majority of them have since 2001 when I launched EPG. If you stay focused on owning companies that have strong fundamentals and growth locked in, I believe you will have an edge in the market.

Thank you for your support.

Keep an eye on the macro-environment but look closely at the details before you invest in anything and good luck!

Dan Steffens, President
Energy Prospectus Group